

STORIES of WALL STREET

The Control of the St. Louis Southern

By LOUIS JOSEPH VANCE

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JOSEPH W. BARR was a unique product of the stupendous boom in trust building which had swept into Wall street on a tidal wave of dollars a hundred-dred individuals who had clambered aboard the somewhat piratical craft of the promoters.

The wave receding, his fellow voyagers had been hurried back, one by one, into the obscurity whence they issued, but Barr made land—and, incidentally, financial history.

In the old days as a drummer for a hardware house, "Joe" Barr had earned the reputation of the nerviest poker player west of Chicago. But he also sold goods, and when a friend of his conceived the idea of making a nail of wire in place of iron the two had combined their slender resources and built a plant for its manufacture, which developed until it was finally promoted into the wire nail trust. Barr found himself in possession of an even \$10,000,000 and plenty of time to tilt with fortune.

A brief survey of the field convinced him that only in Wall street was the limit sufficiently indefinite and the stakes great enough to justify his undivided attention. He promptly formed the brokerage house of Willis, Barr & Co., with John Willis as stock exchange member and several of his western friends as special partners, and shuffled the pack preparatory to making the bespectacled financiers in cobwebbed banking parlors "sit up," as he tersely put it.

And sit up they did, even to his, if not their, entire satisfaction. They sat up nights trying to puzzle out what this "western gambler," as they unanimously declared him to be, would do next. In all things but one, Joseph W. Barr walked with the hand of fortune, and it was out of this one unfulfilled desire that came one of the most amazing deals in the annals of the street.

If you had looked in on the Wall street offices of Willis, Barr & Co., where a dozen tickers spun out their miles of fraction-laden tape, each fraction a fortune lost or won, and where as many telegraph instruments flashed messages to great cities afar, you would have thought last of all that the short, fat man, with so much double chin that it scarcely yielded way to the silk handkerchief stuffed beneath it, had social ambitions. But he had.

Two months before he had been hopelessly blackballed at the most exclusive club in the city, and Barr's soul still burned hot with anger at the banker who he knew to be responsible. This man had "stacked the cards," he told his western friends, and with this explanation went the assurance that he would somehow get even if he "went broke" doing it.

And even as Barr watched the spinning tape it was telling him that his chance had come. With the loose ends of his handkerchief he mopped his face, a perpetual occupation of the man, and each click, click of the instrument, translated, said to him: "I've got him, I've got him, I've got him."

Through the subterranean channels of information with which the street's honeycombed Barr had learned something a week before which led to a long consultation with his partners from the west. At its end he had sent for Sanford Pierce, the shrewdest manipulator of stocks the street had ever known.

The place of the stock manipulator in the economy of Wall street is so clearly defined that while he holds between his hands the fate of vast schemes, some reputable, many not, there is no known instance of a breach of trust on his part—his loyalty to his employers is his stock in trade. Moreover, in this instance Pierce was a man after Barr's own heart, a scion of puny tradition and a hardy soldier of fortune on many fields.

Therefore in the privacy of his own office Barr went straight to his work and the other listened with something like a fellow artist's appreciation of the cunning of the thing—for it was the game of games—and a brother's sympathy for the genius of it all, the hot wrath of a gambler thwarted.

"In the first place, Pierce," began Barr, with a smile that was far from pleasant, "I am going to tell you frankly that I'm in this thing to satisfy a personal grudge. That will show you how much confidence I put in you and to what lengths I'm ready to go to carry it through. It is neither a question of spending money nor making it, although I guess we'll do both before it's over."

"What I want is the control of the St. Louis Southern railroad, and from some things I've learned I think there is a good chance to get it. The capital of the road, as you know, is \$40,000,000; that's 400,000 shares. In addition to that, I know that it has just bought a smaller road, and to pay for it is considering the question of issuing 60,000 shares of stock authorized a long time ago and held in the treasury. It is on these 60,000 shares that I'm counting for success."

"When they are issued it will take about 235,000 out of the 460,000 shares to carry control. I've made some pretty careful inquiries and calculations as to where and how the St. Louis stock is held, and jotted down the facts," Barr took from his desk a memorandum and read the tabulated figures slowly:

"In investors' hands.... 80,000 shares
"In the street..... 40,000 shares
"In London..... 60,000 shares
"In Willis, Barr & Co., 10,000 shares
"In Bowman & Co., and friends..... 210,000 shares

"Total..... 400,000 shares
"Of course," Barr continued, handing the memorandum to Pierce, "the figures are approximate, except the nest-egg I've picked up here and there in the last few days."

"How to get what we want of these holdings is, of course, for you to say. I presume you've got to hammer St. Louis down to scare out stock from the investors, and the street and London, but I know you've got to put it up to get that 60,000 shares from the road's management. If you put it from \$100 a share, where it is now, to \$110, it will mean ten dollars a share, or \$600,000 in their treasury. If they sell, they'll sell quick. They'll do it, too, for fear it'll go down again. They'll sell it before it's listed on the exchange for that takes 30 days."

"You know what that means. They'll have sold something they haven't got until the 30 days are up. In the meantime, they'll borrow, without knowing it, our stock, the stock we've cornered, and when we call on them for it they won't have it to give us and we can make 'em settle for any figure we're kind enough to name."

Pierce nodded appreciation of this mine that was being laid for the unwary management.

"What about Bowman & Co's stock?" he queried. "They've got the control."

He knew the answer before he asked the question.

Barr got up from his chair and walked over to the screened window. He looked out on the hurrying Wall street crowd, mopping his face with the handkerchief ends.

"Pierce," he said, facing the manipulator with a quick movement, "the banking house of Bowman & Co. will sell that stock for the road. They'll sell short a big block of their own stock at the price we'll put it to, expecting to get it back lower."

These and other essentials worked out, Pierce sent for his personal broker, William Hathaway, whose standing in the street was of the highest, which is to say that his connection with Pierce was absolutely unknown. To him Pierce told as little as might be of the business in hand, and personally assumed all responsibility for the deal.

"I've got some information on crops," Pierce explained, confidentially. "They're bad in the southwest, and we'll sell the granger roads in that territory, as they depend on crops for earnings. St. Louis Southern ought to feel it most. This is Thursday; you sell 50,000 shares of the other three southwest roads and 30,000 of St. Louis. We'll buy back our short stock when St. Louis reaches 93, seven points under its present price. If you have to sell more to break the market down, go ahead, but be careful about raising suspicion."

The broker hurried away, proud of his supposed possession of the "old man's" confidence, and Pierce arranged through other brokers for the purchase of the bulk of the stock Hathaway sold and all the St. Louis Southern that frightened holders might throw over on the break.

The well-planned attack had immediate effect. The grangers, including St. Louis Southern, had broken 1½ points at the close and on Friday, when the bears had joined the movement, they broke still further, big stop-loss orders having been reached at 97 in St. Louis, which closed at 94½. On Saturday sales of 10,000 shares of St. Louis for London account and a bad statement by the banks, whose resources had been depleted through cash withdrawals by Barr's Chicago banking friends, offset dispatches from the malignant west telling of bumper crops. The financial writers ascribed the weakness to a bear raid for quick profits, so skillfully had Pierce concealed its real object.

St. Louis Southern touched 93 shortly after the bank statement was issued, but rallied sharply at the close to 94½. The floor said the rally was due to evening up purchases by the bears, but it really came from wholesale buying by Pierce's unknown brokers. St. Louis Southern had been put down seven points without arousing suspicion, and the shrewd manipulator felt that he had shaken out as much weak stock as could be done with impunity.

After the close of the market Pierce went down to Sheephead Bay to watch one of his horses win the Seaside stakes. In the paddock before the race he met Barr, who was looking

over Chelton, the western champion that his Chicago friend, James B. Blake, had brought east to meet the season's cracks.

"Well," said Barr, ambiguously, mopping his face as usual, "you going to win—the Seaside?"

"I usually win—everything," answered Pierce, laughing. And the two men laughed together and separated.

On Sunday night Pierce met Barr by appointment at the latter's apartment in an uptown hotel. The manipulator had with him a memorandum of his operations on the bear side of the deal, just closed.

"Pretty bad market the last three days, Pierce," said Barr, with a chuckle. "Did you buy any stocks on the break?"

"I bought considerable St. Louis Southern—I think it's going higher," retorted the manipulator, and then he plunged into the facts.

"I don't know exactly how much St. Louis we shook out on the pounding we gave it, but my brokers accumulated 60,000 shares. We're short about 30,000 shares of other stocks put out to help the market, but I guess we can cover them at a loss of about \$100,000. I didn't dare cover them on Saturday."

"With your 10,000 we've got now 70,000 shares of St. Louis and can count safely on the 60,000 the management will be induced to put out. That makes 130,000 shares, and we need only 105,000 additional to give you complete control."

A sudden wave of anger swept him; he was again the old hardware drummer:

"Damn him," he cried, "damn him! I'll take his railroad from him like you'd take a toy from a kid. I'll make him ashamed to show his face in the street here, where he was fooled out of his road, and at his club, where he blackballed the man who was smart enough to do it."

"Old Pierce," as New street called him with blind affection, left the offices of Willis, Barr & Co. by the back door, with a smile like a sleeping infant's on his narrow, clear-cut face. The task was no less to his liking because Bowman's crack filly Altair had beaten his own Boxwood in the last Suburban. Pierce loved his horses far more than he did men or gods. He would have undertaken the task for pure love, he thought, as he sought his own office, but he soon found himself adding, multiplying, dividing, and the cold figures brought him back to the world with another smile, for they were his prospective reward, a fortune in themselves.

Point by point the manipulator went over the details of the deal, and it grew under his hand like a battle plan under that of a general. The bulk of the money needed Barr was to get in Chicago, among his banking friends, so the local banks might have no inkling of the matter. The controlling stock, Pierce figured, ought to be obtained at about \$110 a share, which meant \$25,000,000, all but \$5,000,000 of which would be obtained on loans on the stock bought. Commissions to brokers for buying the stock, and for purchases and sales of other stocks to manipulate the market would call for about \$300,000; for Pierce received reductions from the brokers in spite of the strict exchange rules. The enormous orders he distributed in his manipulations would tempt any broker to break any number of rules.

Barr sighed contentedly and settled back to his big chair. He seemed loath to break the chain of pleasant thoughts the manipulator's words had brought to him. The light from the shaded electric table lamp fell on his face, which was round and boyish, but for the light, half-grayish mustache.

"Well," he said, finally, "what next?"

"Yes, up. We'll lead the management of the road into temptation and we'll draw out 35,000 shares from London, where they love a speculation, and from the street, which is joined to it by bonds of unholy wedlock. Investors won't sell on a raise, and we'll have to get the other 70,000 shares for control."

"You get that and more from Bowman," broke in Barr. "I want to see some stock with his name on the back of it."

The market opened up on Monday. The financial writers told how baseless, really, had been the previous decline, and hinted at a bear raid for quick profits. Good crop news and splendid earnings tumbled into the market and so restored confidence—with a little help from the kindly disposed Pierce—that by Thursday the list had climbed back to its level before the raid and St. Louis was selling at 100 again.

Therefore, for two weeks, that seemed as many years to Joseph W. Barr, hungry for revenge, Pierce patiently and persistently bullied the market. By apparent purchases, which were really nothing more than matched orders, as all unknowing his brokers bought from others of his brokers, stimulus was imparted to the market, and the great public, which always buys when prices are going up, came in and helped the game along.

It was only St. Louis Southern that Pierce actually bought and he took all that offered. On Monday, two weeks after the bull movement had been put under way, he saw Barr for a moment and told him 20,000 shares had come in on the movement.

"I can't find any of the management's stock, although St. Louis is now at 105," Pierce concluded. "I don't dare put it up faster. It would rouse suspicion." And Barr had to admit this, impatient as he was.

In the banking house of Robert Bowman & Co. the strength of St. Louis Southern had not passed unnoticed. Its slump in the downward movement

had been accepted as a part of the general bear raid.

On Monday the stock touched 105. Bowman met by appointment at lunch on two of his fellow members of the executive committee of the St. Louis, and they had agreed that it was a good time to put out the 60,000 shares of stock in the treasury.

"It is difficult to tell how long this movement will last," said Bowman, who was a nervous little man with family traditions, social ambitions and a big racing stable. "It's those western gamblers, of course, and it might not be a bad idea to take advantage of their foolish bulling."

"If we put out 30,000 shares of the stock at 106 that will mean \$180,000 more than we could get at par, and if it goes farther we can put the other 30,000 out, too."

The board of directors met the same afternoon. They authorized the issue of the stock and put its sale, which was to be secret, as the new shares would not be good delivery to buyers for the prescribed 30 days, in Bowman's hands. It meant a commission of two per cent, or \$120,000, to Bowman & Co.

On the following morning Bowman reached his office earlier than usual and sent for Walter Carruth of the stock exchange firm of Carruth & Hendrie, who handled all of Bowman & Co.'s exchange business. The market had just opened and he was at the ticker when Carruth entered.

"Mr. Carruth," Bowman said at once, "I see that the market is very strong, and that St. Louis Southern has opened at 105½. The directors of the St. Louis have voted to sell 60,000 shares of stock now in the treasury, and this seems a good time to put it out. Do you think the market will take 30,000 shares around 106?"

"Easily, Mr. Bowman. This market is so broad and strong that it would take the entire issue and advance on it, I believe," Carruth believed this fully, and, besides, the sale of 60,000 shares meant a commission of \$7,500 for his firm.

"That is also my belief, but we'll put out 30,000 shares first. As much as you can of it today, if it touches 106. I can't believe it will go much higher, but we'll try it anyway."

"I think the entire market will go higher, Mr. Bowman," said Carruth, as he rose to go.

Bowman laughed a little. "Well, if it does, Mr. Carruth, I shall be sorely tempted to turn bear and sell some of my personal holdings. I'm sure I'd get them back lower."

"By the way, I think you had better give up your name as the seller. It is best to keep the read out of the matter, as it will be some time before we can deliver the new stock. You can borrow it easily enough meantime."

And it was this same afternoon, a hot Tuesday of July, that Barr stood over the ticker in his Wall street office and listened to the message of the busy little machine, which told him in pleasing words: "You've got him!"—words which the watching man transposed into "I've got him," quite naturally.

For St. Louis touched 106 at one o'clock, and Carruth began to sell. The ever watchful Pierce detected this selling as soon as it began, and hurried a message, almost congratulatory, to Barr with the information.

With the crumpled message in his pudgy hand, Barr hovered over the ticker, his eyes shining but otherwise as cool as you would have the "nerviest poker player west of Chicago." Longitude is a trivial thing in a game of chance.

Through Tuesday afternoon and all day Wednesday Carruth sold St. Louis Southern. At the close of Wednesday he had put out the 30,000 shares of management stock, and it was safely in the hands of Pierce's brokers, who had kept the stock so easy to borrow in the loan crowd that no thought had been raised of the accumulation.

Under the manipulator's orders the stock had declined diplomatically on the heavier sales, but in company with the whole market it had held well, closing at 106½ on Wednesday. Pierce had also taken in some 9,000 shares sold by the arbitrage house for London account.

On the floor of the exchange shortly after noon Thursday a rumor gained way that something good was coming out on St. Louis Southern. The stock had touched 108, and in explanation of the rise were offered stories of increased dividends, and the cutting of a melon for the stockholders, which is the street's way of describing an issue of new stock at a price under the market. There were attractive details as to the sweetness of the melon. Pierce was a famous imaginative artist.

Floor members telephoned the rumors to their houses, and the reporters went to Bowman to confirm or deny them.

"I have absolutely nothing to say," the banker told the newspaper men, in his familiar, family tradition manner, and convinced of the truth of the stories, they rushed the news to their papers. St. Louis Southern began to climb.

Bowman sent in haste for Carruth, who was on the floor of the exchange.

"It seems, Mr. Carruth," he said, "that a foolish rumor of a melon cutting or dividend increase in St. Louis has gained headway and the stock is going up. There is absolutely no truth in either story, of course; but while the stock is up on these stories, I think you had better put out the other 30,000 shares of treasury stock. Wait a moment, please."

Bowman stepped quickly to the ticker, which was recording the climb of St. Louis. It was at 109. In the silence of the banking room it was as if Pierce were in person holding out

to the banker in his withered hands the golden apples of the Hesperides.

And the banker grasped for them. He had been pouring millions into a vast scheme for the control of the traction systems of three big western cities; family tradition had driven him into the building of a palace at Newport; his extensive racing stable, his greater pride, had been running heavily behind at the various meetings. If he sold 60,000 shares of his own stock at 110 it would mean \$600,000 in cash to him at once, and he felt that he could regain it as soon as this absurd bubble of melons and dividends had been pricked. No one but Carruth would know, and he was bound to silence by self interest.

Bowman sighed a little. He turned to the waiting broker.

"Carruth," he said, slowly, "if the market will take it, you may sell 60,000 shares for my personal account. I'm finally a bear on my own road, you see," and he tried hard to force a laugh to go with the jest.

Carruth hurried back to the floor, and before the close, by the aid of the favorable rumors regarding the road, had put out 85,000 shares. The sales for the day were over 90,000 shares, and the stock closed at 110, the highest figure.

Friday brought forth long, detailed stories in the morning papers of great things impending in St. Louis Southern, to all of which the road's managers, including Bowman, had refused, so ran the stories, to give denials. It was hinted by one paper that the recent activity in the stock had been due to buying for control by a competing road, the Mississippi Central.

The stock at once became the feature of the trading. It opened at 110½, one-half of a point over Thursday's close, on a sale of 1,000 shares by Carruth's brokers. This was taken by a broker acting for Pierce, as was the block of 6,000 shares which followed it at 110½. By noon over 100,000 shares had been traded in and Carruth had put out and Pierce taken in 40,000 shares of Bowman's stock.

From noon on the St. Louis post was a pin-point in a seething mass of humanity. In blocks of 1,000, 2,000 and 3,000 shares Carruth hurled the rest of the banker's stock at the market, expecting to see it break any moment and anxious only to get it out at the high prices. But it didn't break. It went steadily up in spite of the fact that the bears were selling also. Even denials by the news bulletins of melon cuttings and purchases for control by the Mississippi Central, the story Pierce had set afloat, went unheeded.

When an explicit denial of any deals or anything else of a favorable nature, sent to the floor by Bowman at Carruth's request, 20 minutes before the close of the market, failed to check the rise, Carruth became uneasy. He had telephoned the banker that as his stock had been put out it would check the excitement and start the decline if a statement were issued, and instead of this the excitement was increasing and the stock still climbing.

And now for the first time Carruth began to analyze the buying of St. Louis. Hurried conferences with his brokers resulted in a compilation of the names of the buyers, and he found that day after day the stock had ultimately gone to less than a dozen houses. With relentless logic he went on quickly to a realization that he had sold into a bag which unseen hands had held open for the stock. The 60,000 shares of treasury stock; the 40,000 shares he had sold for Bowman, in all 120,000 shares—and then he remembered the break of the stock to 93½ two weeks before. Rigged—the whole market had been rigged. A snare had been laid and the control of the road—

Two minutes later he was panting out his story to Bowman, who was just stepping into his carriage to be driven uptown. In his office, again, the banker listened, silently, to the story of his undoing, for something told him that the cunning hand behind it all had won, won irrevocably.

Irrevocably? The word brought him to a soldierly erectness. "Carruth," he said, steadily, "you have my orders to buy all the St. Louis Southern tomorrow you can get. There is no limit as to price. I shall cable my Paris connections, and my own resources are at your command. It may be that we are mistaken; tomorrow will tell, but we must be ready to fight in any event."

There came a timid knock at the mullioned door. The two men looked at each other.

"Come in," called the banker, quietly.

"Ah Begs pa'don, Mistah Bowman. It's a urgent message fr'm Mistah Carruth's office," and the old negro usher bowed apologetically.

Carruth tore the message from the wrapper with trembling fingers.

"Mr. Bowman, it's a call for the return tomorrow morning of 20,000 shares of St. Louis I borrowed to deliver on the first of the new issue I sold for you. It means that pressure is now to be put on us, for they know we can't deliver the new stock for 30 days. The call is from Frank Selden."

"Who does he trade for usually? Do you know?" Bowman interrupted. "Why—Joseph W. Barr—Willis, Barr & Co., you know?"

"Yes," Bowman answered quietly. "I know—now."

It will be long before the memory of the following day passes from the street, where traditions are cherished as tenderly as are love letters in old lavender.

By four o'clock on Friday Pierce and Barr knew that they had 230,000 shares of St. Louis safely in their hands. To make the control secure beyond question they hurried a trusted messenger to Jersey City, where he caught a fast

train for St. Louis, and bought, at an almost fabulous price, a block of 5,000 shares which Barr's Chicago friends had located.

With the messenger under way they issued calls, through their brokers, for all stock borrowed of them, in order, as Barr said, to get all the cards in the deck. It was one of these calls which had reached Carruth in Bowman's office.

The calls went to houses all through the street, and the recipients read them over again and again, spelling ruin out of the brief words which demanded the return of something they had sold before they had it. Like Carruth, they realized, now that it was too late, that Barr had all the stock there was afloat.

Before the opening of the exchange the messengers who had been sent hither and thither looking for stock to borrow returned empty-handed and a shiver of fear ran through the street. For the great Northern Pacific corner, when that stock went to \$1,000 a share under the bidding of crazed shorts, was fresh in the memory of all.

From 113½, where it opened, St. Louis Southern soared to 120 before the first 60 minutes were ended, and men fought, like beasts in a bear pit for raw meat, for the pitifully few shares that came from London and elsewhere.

Carruth, with Bowman's wealth and the millions of gold of the banker's European connections behind him, fought like a man gone mad, but he, too, knew it was a hopeless fight. The market was swept bare of St. Louis Southern.

At 11:30 it touched 124 and rumors of failures were flying fast around the floor. The strain was telling on men, and one trader, who was short 7,000 shares, went suddenly quite foolish, babbling like a little child. It was not a pleasant thing to see.

It was the beginning of the end, however, for at 11:45 the president of the exchange appeared in the rostrum and, when the crazed men had been at last quieted, announced that John Willis, of Barr & Co., had assured him that there would be no corner, and that St. Louis Southern could be borrowed freely of his firm by those who were urgently in need of the stock. A hoarse cheer went up from the raw throats of the wearied crowd.

Early that evening, when darkness was sifting down on the street and old Trinity's spire stood out against the western sky like a gigantic index-finger of the spirit of the street, in the offices of W. P. Martin & Co. there met the old and the new owner of the St. Louis Southern railroad. Martin & Co. had already arranged, for the sale of Barr's holdings to a competing western road at a price that later put another \$10,000,000 in his plunder chest. Bowman had come in response to an invitation from Martin & Co., who wanted his now minority holdings for the same road.

Barr was sitting on the corner of a flat-topped mahogany desk, against the glowing side of which he was drumming an air with his boot heels, when Martin introduced Bowman. He shuffled down clumsily and stretched out his moist hand to the little banker, whose unshaven face, as Barr saw, was haggard with exhaustion.

"Mr. Barr," Bowman said quietly, "you have bought a good railroad—and you might have ruined me—and did not." It was an acknowledgement and almost a question.

"Well," said Barr, mopping his face under the stress of the thing, "you made the road, didn't you?" And then with a burst of pride in his magnanimity he answered the unasked question:

"Damn it," he said, earnestly, as if this must make it clear to Bowman, "damn it, I guess I've got some milk of human kindness left."

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Side Lights on His Career. A deputation from the Literary guild had waited on Dr. Samuel Johnson and asked him to make a speech before that body on a certain date.

"Gentlemen," he said, "I shall have to refer you to my press agent, Mr. Boswell. Jim, have I got to make a spiel anywhere next Tuesday night?"

"Why, no, doctor," answered Boswell, in an undertone, "but you'll have to pass it up. You know it will be two weeks yet before you get your glad rags out of hock. Gentlemen," he added, turning to the callers, "I regret to say that Doctor Johnson's time will be fully occupied for the next fortnight."

This incident, on mature reflection, was suppressed by Mr. Boswell when he came to write that immortal biography.

Used to It.

"It looks to me like there was going to be war between America and China," drawled Eph. Walters, down at the corner grocery store. "What do you think of it, stranger?" addressing a tall, attenuated fellow who was evidently a newcomer to the village.

The attenuated man looked at Eph. reproachfully and said:

"When I got married I was a widower with three grown-up boys. I married a divorced woman with two boys and a girl that has a wonderful gift of eloquence. My wife has decided that she wants to be a grass widow again and her first husband is taking sides with her. I don't see any use of me botherin' myself about war in China. I've got 'b-l enough at home!"

Information.

"Do you know anything about Caesar?" asked Maudie.

"Certainly," replied Mayme. "He must have been a great man, or so many people wouldn't have named their dogs after him."